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UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS
(Jointly Administered)

THE COMMONWEALTH OF PUERTO
RICO, et al.,

Debtors.

-----x
In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3284-LTS

PUERTO RICO SALES TAX
FINANCING CORPORATION
(COFINA),

Debtor.

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New York, N.Y.
November 20, 2018
9:53 a.m.

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MOTION HEARING

Before:

HON. LAURA TAYLOR SWAIN

District Judge

APPEARANCES

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Pro Se

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THE COURT: *Buenos días*. Please be seated.

(Case called)

THE COURT: Again, *buenos días*. Welcome, counsel, parties in interest, members of the public and the press, those in San Juan and the observers by telephone.

As usual, I remind you that, consistent with Court and Judicial Conference policies and the orders that have been issued, there is to be no use of any electronic devices in the courtroom to communicate with any person, source, or outside repository of information nor to record any part of the proceedings. Thus, all electronic devices must be turned off unless you are using a particular device to take notes or to refer to notes or documents already loaded on the device. All audible signals, including vibration features, must be turned off. No recording or retransmission of the hearing is permitted by any person, including but not limited to the parties or the press.

And anyone who is observed or otherwise found to have been texting, e-mailing, or otherwise communicating with a device from a courtroom during a court proceeding will be subject to sanctions, including but not limited to confiscation of the device and denial of future requests to bring devices into the courtroom.

Today we are here for a status report concerning the COFINA claims and anticipated use of the bulk objection

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1 procedures that were approved at the most recent omnibus
2 hearing and for argument on the application for approval of the
3 disclosure statement and certain procedures in connection with
4 the proposed plan of adjustment for COFINA.

5 We'll begin with the status report.

6 Mr. Rosen, good morning.

7 MR. ROSEN: Thank you, your Honor.

8 THE COURT: Just one second. We're having a problem
9 with audio to San Juan so if you'll just hold off until we get
10 that straightened out. Thank you.

11 This is just a test of audio. Testing. One, two,
12 three.

13 Mr. Rosen, would you say, "Testing. One, two, three."

14 MR. ROSEN: Testing. One, two, three.

15 THE COURT: Sorry. We're still having technical
16 difficulties so we're trying to get them straightened out as
17 quickly as possible.

18 Testing. One, two, three.

19 So I'm moving my microphone a lot closer and
20 apparently that helps.

21 So we can go on, Mr. Rosen.

22 MR. ROSEN: Thank you very much, your Honor. Brian
23 Rosen, Proskauer Rose. I'm here on behalf of the Oversight
24 Board along with my partner, Mr. Martin Bienenstock.

25 Your Honor you indicated at the outset that we're here

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1 actually for two separate items. One is the status report and
2 the other is the disclosure statement hearing. But, as you
3 noted, those are inextricably linked to each other because of
4 the voting, the solicitation process.

5 So I'd like to start off, first, by thanking the
6 people who have allowed us to get here today for what I believe
7 is a virtually uncontested disclosure statement hearing. And
8 specifically I'd like to note the assistance that we had from
9 Judges Houser, Ambro and Atlas in connection with the mediation
10 process and actually throughout the process to this day we've
11 been in constant communication and without their efforts I
12 believe that we would not have been able to get to this point
13 in time in the COFINA case.

14 I'd also like to thank all of the parties who are in
15 this room for making those negotiations, although sometimes
16 long and tedious, but ultimately successful and specifically
17 the COFINA agent, the Commonwealth agent and all of the parties
18 to the amended PSA.

19 Your Honor, with respect to the first item on the
20 agenda, that is with respect to the claim status report. As
21 you will recall, I've given several status reports before about
22 the number of claims that have been filed in these cases. And
23 pursuant to the various bar date orders, the first and then the
24 extension to it, there have been approximately 3,478 -- so
25 3,480 -- claims filed against COFINA. And, your Honor, we

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1 intend to actually file eleven omnibus objections in the COFINA
2 case to approximately 3,170 of those claims.

3 The reason for that obviously, your Honor, is because
4 we would like to work within the solicitation procedures and
5 the bankruptcy rules so that we can obviate the need to send
6 multiple packages of solicitation materials to the same parties
7 who may not actually need it.

8 And specifically, your Honor -- and I'll get to this
9 in a second -- with respect to the bond claims, your Honor,
10 there are master bond claims that have been placed on file by
11 the Bank of New York Mellon which is the trustee. But we've
12 also had a myriad of -- and I'll go through those in a
13 minute -- number of individual bond claims that have been filed
14 by holders of bond claims unnecessarily so.

15 So those people will be solicited through the nominee
16 process that is used in all of major cases where you have
17 retail holders, your Honor. So we wanted to make sure that we
18 reduced the cost as much as possible, file objections to those
19 claims so that we didn't have to send those multiple packages.

20 The current contemplation, your Honor, is that -- well
21 let me backup even more. Your Honor, you asked us by way of
22 the orders that you entered last week to file with the Court a
23 form of notice that would be used in connection with the
24 omnibus objections. We filed that on Friday after consultation
25 with the Unsecured Creditors Committee and, of course, after

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1 having discussions with the Administrative Office,
2 Ms. Elizabeth Abdelmasieh, and I hope I pronounced that
3 correctly.

4 Your Honor, we thought at that time that we had
5 actually filed the English and the Spanish version of that. It
6 turns out we found out last night that the Spanish version was
7 not attached to that notice of presentment. So we refiled it
8 last evening so that the Court has both the English and the
9 Spanish versions available.

10 Those are notice for presentment for Thanksgiving, and
11 we didn't think you would do it at halftime of one of the
12 football games. But, your Honor, if the Court would consider
13 those orders or that form of notice as soon as possible next
14 week, we would greatly appreciate it.

15 THE COURT: Do you want to talk about it now or do you
16 want to go through your presentation?

17 MR. ROSEN: Any way you want to go, your Honor.

18 THE COURT: Well my concern in asking for a filing of
19 the exemplar of the notice and in setting the specific
20 subtopics that I was asking you to discuss today is to maximize
21 the clarity of the notice regarding the practical effect on
22 unrepresented individual bondholders, minimize confusion,
23 minimize the need for follow-up inquiries about voting or the
24 effect of the objection, and, frankly, to ensure the ability of
25 the Court's staff to continue to manage the case smoothly over

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1 the holidays.

2 And the proposed generic form of notice that has been
3 filed takes the, I'll call it, legally cautious and correct
4 track of saying this is something important that affects your
5 rights. And what typically follows from that, especially in
6 the context as we saw it with the bar date order is that there
7 are a lot of individual people who don't have lawyers who have
8 questions about what this means, and they come to the
9 courthouse, and our courthouse staff is limited.

10 And so, as I understand it from what you've said here
11 and the contextual information I've been able to glean from the
12 filings, you are using this procedure in order to eliminate
13 multiplication of a claim that is likely valid or may well be
14 valid. So this is a procedure in which the, at least as to
15 duplicative claims, the intent is not to leave someone with no
16 claim of record at all or no opportunity to vote. Well, we
17 have a little Tweety Bird effect. These are always
18 interesting. All right.

19 MR. ROSEN: Your Honor, if I could try and address
20 exactly what your concern is. We have what we filed with the
21 Court was a form of notice with respect to the initial omnibus
22 objection that we're going to file. And that omnibus objection
23 is for subsequently amended claims and very few that would be
24 included in there. It is our intention, your Honor, to tailor
25 each notice, though, specifically for the form of omnibus

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1 objection that is being filed. So in subsequent ones where it
2 is a duplicate bond claim or for one there was a cross debtor
3 duplicate claim. We are going to make it very clear that this
4 is not removing their claim or their entitlement to a recovery
5 but rather just that we are removing the claim from the claims
6 register.

7 And even, your Honor, in situations where it is an
8 incorrect debtor, we are making very clear in the form of
9 notice that their claim will be transferred to the appropriate
10 debtor and be considered at a time down the road on a more
11 substantive basis.

12 We have been working with Prime Clerk and with the
13 Court personnel to ensure that there is not the concern that
14 the Court had or that the Clerk's Office in Puerto Rico had in
15 connection with the initial bar date itself. We have, and
16 Prime Clerk has even offered to be on-site to assist the clerk,
17 but it's my understanding that the Clerk of the Court at this
18 time has indicated that that may not be necessary.

19 So, we have made -- we're doing everything we can to
20 work with the Clerk's Office, Prime Clerk, and even the
21 administrative office in Washington to make sure that there are
22 no concerns.

23 But the most important one that you've already
24 articulated is that there will be a banner on each of these
25 notices as to exactly what will happen depending upon what is

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1 being covered in the omnibus objection itself so that they
2 don't have that concern that they will not actually have a
3 claim. These are purely nonsubstantive, ridding the registry
4 of claims that didn't need to be filed in the first instance
5 because they're covered elsewhere.

6 THE COURT: I'm glad to hear that that's the plan. I
7 don't see such a banner on the one that you filed.

8 MR. ROSEN: That one only actually pertains to three
9 claims also, your Honor. I apologize for not getting that out
10 there.

11 THE COURT: And as to voting, the procedure that
12 you're asking me to approve says that amended claims are
13 automatically deemed to supercede the original claims for
14 voting purposes anyway.

15 So what I will ask you to do is to follow up with
16 exemplars of the banners and continue the follow-up
17 conversations with the Administrative Office and the Clerk's
18 Office and, of course, we'll facilitate making sure that the
19 people who need to be available to you are available to you so
20 that any -- so that the notices are as clear as possible and
21 any on-site arrangements to facilitate the ability of Prime
22 Clerk and court personnel to direct inquirers back to the
23 written materials and not be in an awkward position of not
24 being able to give legal advice --

25 MR. ROSEN: Yes.

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THE COURT: Is done in a way that is best for all.

MR. ROSEN: Yes, your Honor. It's our intention at this point to file something that the Court were to authorize the form of notice, but to file on or before November 30, so a week from this coming Friday, eleven omnibus objections, the first four of which, your Honor, pertain to approximately 30 claims in total. It is the five --

THE COURT: The first four are for 30 claims in total, not for --

MR. ROSEN: About 35 in total. But they're a group. The first one is 3. The second is 13. The third is 5. And the fourth is 12; so approximately 33 to 35 omnibus -- claims covered by those first four omnibus objections.

The 5th through the 11th, though, your Honor, and just specifically the 5th through the 9th, each of those have five hundred claims on them because that is the amount that the Court authorized us to include on an omnibus objection. And the 10th has 350 on it.

Those are all duplicate bond claims, your Honor. So we don't foresee any issues associated with that and, as I said, we'll make sure that the banner reflects exactly how they are covered.

And the 11th, your Honor, pertains to 284 claims for the incorrect debtor. And, again, instead of disallowance we are planning, so that those claims are moot, to the appropriate

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1 debtors titled to the case.

2 Your Honor, if it makes it easier for you, my
3 suggestion would be that we provide the Court with the form for
4 all eleven so that you feel comfortable that we are making sure
5 that each of these people know that their claims are not being
6 wiped out in total; we're just getting rid of them from a
7 nonsubstantive basis.

8 THE COURT: Yes. I would appreciate that. So what
9 we'll do is terminate the docket entries on the current notices
10 of presentment in anticipation of getting updated notices of
11 presentment that are more comprehensive.

12 MR. ROSEN: Due to the holiday, your Honor, I just
13 want to say that that may be on Monday that it gets filed.

14 THE COURT: We'll be looking out for it whenever that
15 comes.

16 Is the gentleman still here who is working on the
17 sound?

18 THE DEPUTY CLERK: Yes.

19 THE COURT: All right. Would it be helpful to him if
20 we stop talking with the Tweety Bird sound effect?

21 THE DEPUTY CLERK: It's better to keep talking, they
22 said.

23 THE COURT: All right.

24 MR. ROSEN: Your Honor, just to continue a little bit
25 more with the claims process. We have included the provisions

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1 that the Court asked of me when we met on November 7. So it
2 isn't entirely possible that these -- when we do file those
3 eleven omnibus objections, they may not even come on for
4 hearing until the omnibus hearing date later in January, even
5 after the COFINA confirmation hearing, because it's irrelevant
6 from our standpoint once the objection is filed that they
7 actually be heard prior to the confirmation hearing.

8 So, your Honor, unless you have any more questions
9 with respect to claims process, that is all I have to add on
10 that.

11 THE COURT: I think that I covered my concerns. Let
12 me -- we covered my concerns. Let me just check.

13 And so do you anticipate that you're making any
14 objections on the basis of untimely filing?

15 MR. ROSEN: No, your Honor.

16 THE COURT: All right.

17 MR. ROSEN: Not at this time and I'm not sure if we
18 ever would anyway, but not at this time.

19 THE COURT: All right. So just one moment.

20 (Pause)

21 THE COURT: All right. We're doing the
22 hyper-technical move of turning the system on and off. So
23 let's all be patient.

24 (Pause)

25 MR. ROSEN: Testing. One, two, three.

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1 THE COURT: Testing. One, two, three.

2 Great. So we're just checking to make sure that we
3 can be heard in Puerto Rico. We can?

4 MR. ROSEN: Perhaps if the gentleman waves in the
5 video.

6 THE COURT: If you can hear me in Puerto Rico, please
7 wave your hand.

8 THE DEPUTY CLERK: We're good.

9 THE COURT: All right. Maximum courtroom demeanor in
10 Puerto Rico.

11 MR. ROSEN: Your Honor, if I could just go back one
12 more time. If we were to file the notice of presentment on
13 Monday as I indicated, I think under the local rules that would
14 require a seven-day notice period and that will kick me past
15 the 11-30 solicitation time. So if I can make an oral motion
16 right now, your Honor, to reduce that time period or even, as
17 long as we file it, the Court will consider it and enter it
18 because it's not a situation where we're looking for objections
19 to be filed or anticipate any objections to be filed.

20 THE COURT: The oral motion to shorten the time on the
21 notice of presentment for the revised objection cover notices
22 is granted. We will use a two-day, 48-hour notice of
23 presentment period.

24 MR. ROSEN: Thank you very much, your Honor.

25 THE COURT: Thanks very much.

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1 So now we'll move to the main motion regarding the
2 disclosure statement and procedures and we're going to set you
3 up with a 30-minute clock for your opening statements.

4 MR. ROSEN: Hopefully I won't even need that, your
5 Honor.

6 Your Honor, again, Brian Rosen and Martin Bienenstock
7 from Proskauer Rose in connection with the disclosure statement
8 hearing.

9 Your Honor, as the Court is well aware, the plan of
10 adjustment for COFINA and the disclosure statement related to
11 it is predicated upon the settlement or the compromising
12 settlement which is also subject to the 9019 motion, all of
13 which we filed on October 19, last month.

14 Your Honor --

15 THE COURT: It's a little busy in here but we're all
16 right. Let's keep focused and keep going.

17 MR. ROSEN: Doing my best.

18 THE COURT: Thank you.

19 MR. ROSEN: Your Honor, the plan of adjustment, as I
20 indicated before, was the hard work of many different parties
21 in connection with the mediation process led by the three
22 judges I referred to earlier. We had many sessions at the
23 Proskauer Offices and we were able to achieve an understanding,
24 based upon the agreement in principle that had been reached by
25 the COFINA agent and the Commonwealth agent, then the Oversight

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1 Board got involved in that process, your Honor, to build out
2 the securities and develop the plan of adjustment that were --
3 are currently included in the plan of adjustment and the
4 subject of the disclosure statement here today.

5 As part of that process, your Honor, the amended and
6 restated plan and support agreement has the support of over
7 \$10 billion worth of bond claims to either the holders
8 themselves or the monoline insurers of those bond claims, your
9 Honor. As such, we believe it has an overwhelming support.
10 And I believe by the fact that we only had five extremely
11 limited objections interposed to the disclosure statement, it's
12 a testament to the work that was put in over the summer and to
13 get to the plan of adjustment and the disclosure statement
14 phase. And even, your Honor, today I'm happy to report that I
15 believe that we have been reduced, out of those five
16 objections, to one remaining objection and that is on behalf of
17 a pro se claimant. But I'll let the other people speak for
18 themselves at the appropriate time.

19 Your Honor, as I indicated there were five objections
20 interposed. The first was by Lehman Brothers.

21 And we've included all of these, your Honor, if you
22 don't have the benefit of it, in our response, we put forth a
23 chart there that went through the five objections and our
24 position and what they asserted in theirs.

25 THE COURT: Yes. And I have reviewed both the

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1 objections and your chart.

2 MR. ROSEN: OK.

3 Well, your Honor, in connection with all of that, when
4 we filed the amended plan last Friday, and when we filed the
5 revised disclosure statement, we made certain changes to the
6 disclosure statement to account for not only changes that had
7 been suggested by the five objecting parties but also multiple
8 other parties that informally contacted us to convey their
9 thoughts and also for the change in circumstances that have
10 occurred since October 19 when the original plan and disclosure
11 statement were filed.

12 Specifically, your Honor, one of the main changes was
13 that the new bond legislation that is a condition precedent to
14 effectiveness of the plan has been enacted by the Commonwealth.
15 And so there is a detailed description in the disclosure
16 statement.

17 Your Honor, I apologize. We provided black line
18 copies of the plan and disclosure statement to parties that
19 asked. We also filed them with the Court yesterday. I don't
20 know if the Court --

21 THE COURT: I appreciate that. Yes.

22 MR. ROSEN: We do, for those that still need one, we
23 have multiple copies here in the courtroom if anybody would
24 like one.

25 So, your Honor, while you may see some deletions or

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1 some additions that look like a lot were actually done, they
2 are really just accounting for a change in circumstances for
3 the most part: Like the new bond legislation, like inclusion
4 of provisions associated with the new bond indenture that is
5 being negotiated by the parties. And even though we've
6 included a lot of those, we do refer in that particular
7 instance to the plan supplement that will be filed with the
8 Court before the voting deadline because we know that that
9 indenture is an evolutionary product, and we're constantly
10 getting more and more comments to it, and we wanted it to be a
11 live document and let everybody know where we are at this point
12 in time.

13 The other main deletion or what looks like a main
14 deletion from the -- not only the disclosure statement but also
15 the plan was one of the provisions that we had in the plan was
16 that the monoline insurers could make an election prior to the
17 commencement of the disclosure statement hearing. We got word
18 last week that Assured had made its election and they asked us
19 to delete the secondary treatment that was offered pursuant to
20 the plan. So we did that, your Honor.

21 So you'll see a lot of red, if you were looking at the
22 black line, and all that really does is takes out one of the
23 options because Assured had already made its election.

24 We also, your Honor, because, to the point that you
25 made at the outset about clarity for a lot of people who might

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1 not want to wade all the way through a document, and I know
2 that one of the objections, I think it might be from
3 Mr. Dvoves, was about -- or the other pro se claimant was about
4 612 or 621 pages of gobbledygook and they didn't have the
5 ability to wade through it.

6 We put at the beginning of the disclosure statement a
7 Q and A of short questions and short answers which would allow
8 them to understand exactly what is being done pursuant to the
9 plan, what their rights are in the solicitation process, do
10 they have to vote, do they not have to vote, do they need to
11 make an election, do they not need to make an election.

12 So that is at the outset of the disclosure statement.
13 And we thought it would be much easier for a lot of people, and
14 certainly in the retail world, to understand that. So that is,
15 I think, the first ten pages or so. But it really is a
16 distillation of the six hundred and some odd pages that are
17 behind it.

18 THE COURT: So by way of an executive summary, at a
19 normal person level.

20 MR. ROSEN: Exactly. If they were to log online and
21 ask for FAQs, this is what it actually is. So we put the FAQs
22 in writing for them.

23 THE COURT: Thank you.

24 MR. ROSEN: As I said, your Honor, there were very few
25 substantive changes to the disclosure statement because -- and

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1 we felt that there weren't really many that needed to be
2 addressed. There were some changes throughout the process to
3 account for just some word changes that people had asked for,
4 some inclusions in the tax section. But all of those, I submit
5 to your Honor, were relatively insignificant or insignificant
6 in full.

7 If I can move on to the five objections that were
8 interposed, your Honor. The first was by Lehman. And Lehman
9 had -- is a party to what is referred to as the DSDA. And they
10 had some questions or they asked us to more fully describe the
11 DSDA and what the treatment was.

12 We had included the treatment, in our mind, your
13 Honor, as a general unsecured claim. And this was especially
14 so because Lehman in its proof of claim had said that it was a
15 general unsecured claim.

16 So, your Honor, it's very clear now, pursuant to the
17 changes that we have made in the disclosure statement, that it
18 is an unsecured claim and it is our intention to either, prior
19 to the hearing on confirmation or at the confirmation hearing,
20 pursuant to the terms of the plan, to reject the DSDA,
21 resulting in general unsecured claim and damages associated
22 with it.

23 I believe, your Honor, and counsel will stand up when
24 they think it's appropriate, to -- I believe that this resolves
25 the objections along with minor other changes that we put in

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1 the disclosure statement about claims and causes of actions
2 that may exist. So I hope and I believe that the Lehman
3 objection to confirmation -- excuse me, to the disclosure
4 statement itself has been taken care of.

5 THE COURT: Now, as I recall, the Lehman objection
6 also queried a provision on third party releases. That was
7 tied up in Lehman's perception of how it was going to be
8 treated, but I do see that in the revised disclosure statement
9 and plan you indicated that there is a change in the third
10 party release provision and so this seems as good a time as any
11 for you to help me understand that.

12 MR. ROSEN: Absolutely, your Honor.

13 We were contacted, your Honor, by one of the federal
14 agencies asking us to remove the third party release and the
15 deemed consent provision that was included in the Plan of
16 Adjustment; specifically, if a holder were to receive a
17 distribution, they were deemed to consent to provide a third
18 party release. There was also a provision in the Plan of
19 Adjustment that provided for if you don't effectively opt out
20 you are deemed to provide a third party release.

21 They asked us, because of the nature of the retail
22 holdings and the people in Puerto Rico, to remove that
23 provision from the plan. So we have taken out the third party
24 release in its entirety from the plan. There are certain other
25 limited releases that are included in the plan but they are not

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1 of the third party nature.

2 There is one that I will get to later, your Honor,
3 concerning the stipulation that we entered into with the
4 Unsecured Creditors Committee/Commonwealth agent as to how that
5 works, but it's not in the context of the great unwashed not
6 knowing about a third party release. It's specifically with
7 respect to the parties to the Amended Plan and Support
8 Agreement. I can go through that now if you'd like, your
9 Honor.

10 THE COURT: That will be helpful.

11 MR. ROSEN: OK.

12 Your Honor, pursuant to the stipulation that we
13 reached with the Unsecured Creditors Committee and even the
14 Amended Plan and Support Agreement, the parties to the Plan
15 Support Agreement agreed to provide the government releasees,
16 which includes the Oversight Board, AAFAF, COFINA, the
17 Commonwealth and what's defined as the related persons, a third
18 party release. So those parties to the PSA have contractually
19 agreed to provide that third party release.

20 As part of the stipulation that the Court approved in
21 connection with the understanding reached by the Oversight
22 Board of the COFINA agent and the Commonwealth agent, we've
23 agreed that under certain circumstances the Commonwealth agent
24 will similarly receive exculpation under what is now 30.7 of
25 the Plan of Adjustment and a release which would be in 30.2 of

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1 the plan from the PSA parties.

2 The amended plan that was filed on Friday did not
3 include those scenarios. So, one of the things that we will
4 like to include when we get -- I'll move up my comments, when
5 we submit to the Court a revised or finalized disclosure
6 statement and a second amended plan will include a provision
7 that the Commonwealth agent will be entitled to a third party
8 release solely from the PSA parties that previously agreed to
9 provide one to them. And it would be only in the event that
10 the Commonwealth agent did not file what's referred to in that
11 stipulation as a motion to enforce, or did not object to
12 confirmation of the plan, or did not object to the 9019 motion
13 which is currently on file.

14 THE COURT: And so the government party releases, are
15 those only being provided by parties to the PSA or is there a
16 release of current or former government officials, service
17 providers and professionals baked into plan confirmation that
18 would affect everyone?

19 MR. ROSEN: The answer is no.

20 The difference or the distinction --

21 THE COURT: That was an either/or.

22 MR. ROSEN: OK. The difference between the government
23 releasees versus the debtors is the inclusion of, obviously,
24 the Commonwealth AAFAF and the Oversight Board. The Oversight
25 Board gets the benefit of the exculpation because it's for the

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1 period from the Title III case going forward.

2 To your direct question, though, it is not extending
3 back to all of those things and all of those people and all of
4 those extended groups that you referred to. It is solely from
5 the PSA parties and no one else.

6 And the debtor will -- COFINA will get the benefit of
7 the discharge provision and the release of claims that
8 otherwise it would be entitled to.

9 THE COURT: COFINA the entity, but not --

10 MR. ROSEN: Yes.

11 THE COURT: -- all third parties relating to COFINA?

12 MR. ROSEN: That's correct, your Honor.

13 THE COURT: Thank you.

14 MR. ROSEN: My pleasure.

15 The next objection, your Honor, was from Bank of
16 New York Mellon. And Bank of New York Mellon had some
17 questions or was requesting some additional information in
18 connection with the consummation costs that are going to be
19 paid pursuant to the Plan of Adjustment.

20 And I would say that, just to be clear at the outset,
21 this is not with respect to any objections that they may have
22 in connection with confirmation of the plan, either for the
23 consummation costs or any other issues that it may raise. This
24 is solely with respect to the disclosure statement and all of
25 those other objections that they may have, obviously, would be

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1 preserved.

2 But they did ask for some additional information and
3 we believe that we've provided, as set forth in the response, a
4 lot of information.

5 But even subsequent to the filing on Friday, counsel
6 for Bank of New York Mellon asked for some other information.

7 Specifically, there was a question as to whether or
8 not the Oversight Board had reviewed billing statements that --
9 with respect to the fees and expenses that have been incurred
10 by the amended PSA parties.

11 Your Honor, the answer is we have not. We have relied
12 upon the representations of counsel, that they have told us the
13 fees and expenses that have been incurred by them and their
14 respective clients.

15 And based upon information that we have received to
16 date, those fees and expenses, we will include this in a
17 modification to the disclosure statement as requested by Bank
18 of New York Mellon, they exceed \$135 million since the petition
19 date going forward, to today. They may incur additional
20 expenses in connection with consummation of the plan, including
21 their heavy involvement, your Honor, in the negotiation of the
22 new bond indenture. They've been actively involved in the
23 promotion of the new bond legislation, which, as I indicated,
24 has been enacted, and there are a myriad of other things that
25 we are in constant contact with the amended PSA parties to

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1 further develop to get it to the effective date of the COFINA
2 Plan of Adjustment. But as of now it's been reported to us
3 \$135 million have been incurred postpetition.

4 THE COURT: Postpetition. So that notwithstanding the
5 references to Lex Claims and other prepetition litigation in
6 some of the submissions, it does not take into account those
7 expenses?

8 MR. ROSEN: That is my understanding, your Honor,
9 based upon the information provided to us.

10 So we will make that change as requested by Bank of
11 New York Mellon.

12 THE COURT: And may I assume that in the advocacy on
13 the merits for confirmation you will provide evidentiary
14 support and legal argument supporting the proponents' theory of
15 propriety of the consummation cost payments and meeting -- oh,
16 no, the birds are back -- the legal arguments that were
17 surfaced in this round of submissions?

18 MR. ROSEN: Yes, your Honor. We will absolutely
19 include in our brief in support of confirmation as well as any
20 the declarations that we file with the Court the evidence
21 supporting the consummation costs.

22 THE COURT: Thank you. And I apologize to everyone.
23 We'll try to get this fixed again but let's go on and everyone
24 who hears birds just bear with us. We hear them too.

25 MR. ROSEN: Thank you, your Honor.

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1 Your Honor, Bank of New York Mellon also asked us to
2 state on the record with respect to the balance of the
3 consummation costs, meaning that 313 million minus the 135
4 million, what that relates to. And as we've indicated in our
5 papers and I believe as the senior coalition or --

6 THE COURT: I'm sorry. It's not working for the court
7 reporter either. So we'll just be quiet for a minute.

8 THE DEPUTY CLERK: They're on the way, Judge.

9 THE COURT: The AV people are on their way.

10 MR. ROSEN: Your Honor, could we take a five-minute
11 recess while they do this and people may want to discuss some
12 issues?

13 THE COURT: Yes. Let's call it -- now it's gone away.
14 Should we seize the moment or should we take a break?

15 Let's seize the moment and when it starts up again we
16 will then take the break.

17 MR. ROSEN: OK, your Honor. Your Honor, those, I
18 think, were the remaining points that Bank of New York Mellon
19 had asked me to make clear on the record. But I'll leave to
20 Mr. Gwynne if he has any remaining issues that he'd like to
21 discuss.

22 Your Honor, there was an objection also interposed by
23 what we referred to as the credit unions and it's my
24 understanding that they are not here today. We believe that we
25 included the requested information, however, that they sought

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1 with respect to their adversary proceeding and that there
2 was -- and also the existence of the unions themselves and
3 their role in the case. So I don't think that there's anything
4 more that we need to include with respect to the unions.

5 There was -- there were two pro se objections that
6 were interposed. One was by -- and I apologize, if the
7 gentleman is on the phone, for butchering the name, by
8 Mr. Stephen Mangiaracina I believe it is. And also by
9 Mr. Lawrence Dvores. And I apologize if I mispronounced that.
10 Mr. Dvores is here in the courtroom. The first gentleman is
11 not.

12 Your Honor, they had raised certain questions about
13 the timing of the filing of objections, the breadth of the
14 disclosure statement itself. And there was even a question
15 about the need to bring some criminal charges against people
16 involved in COFINA and in connection with the Title III case
17 itself.

18 Your Honor, we believe that there has been appropriate
19 due process. The timeframe that was laid out by the Court has
20 been followed to the tee. The disclosure statement filed in
21 connection with the Plan of Adjustment has been filed in
22 accordance with the terms of PROMESA and the applicable
23 provisions of the Bankruptcy Code.

24 While it is long, any disclosure statement is
25 necessarily long, and it's probably, as we noted in our reply

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1 chart, your Honor, it's consistent with the length that's also
2 been filed in the other municipal cases which are out there.

3 But as I indicated also at the outset, your Honor,
4 we've tried to simplify this process for retail holders by the
5 Q and A that we put at the front of the disclosure statement
6 which distills all of the information in there and makes it
7 easy. Likewise, of course, your Honor, there is a table of
8 contents which allows them to go to a specific reference in the
9 disclosure statement if they think it's appropriate.

10 I believe, your Honor, that this addresses the pro se
11 objections, although Mr. Dvores has indicated to me that he
12 would like some time to address the Court so, obviously, we
13 should allow that. And if I could then, with respect to that,
14 your Honor, reserve any time to respond to what Mr. Dvores has
15 to say.

16 Your Honor, in the event that the Court is inclined to
17 approve the form of disclosure statement -- and as I said, we
18 would probably file a short modification to it that would be
19 black lined to address some of the things that we've talked
20 about here today.

21 We have filed a proposed form of disclosure statement,
22 approval order, together with all of the ballots. We would
23 want to refile that with the Court to include things that were
24 done today, any rulings that the Court made today, and include,
25 as I said, modifications to the disclosure statement.

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1 Your Honor, there is one other piece of information
2 that I would like to provide to everybody, and I apologize, I
3 have it here on my phone that I need to read it from. So if I
4 could just open that back up, if I put in the correct password.
5 Yes.

6 Your Honor, as I've indicated we have -- and the
7 Oversight Board has undergone a process since the inception of
8 the Title III cases consistent with PROMESA to certify fiscal
9 plans. And the most recent certification of fiscal plans --
10 and by the way, your Honor, this is not directly applicable to
11 the COFINA disclosure statement but I wanted the benefit of the
12 Court -- I want the Court to have the benefit of this
13 information as well as the populace and whoever is on the
14 phone.

15 The COFINA fiscal plan was certified on October I
16 believe 18. And the Commonwealth fiscal plan was certified,
17 the latest one, on October 23 of this year.

18 And, your Honor, through ongoing due diligence, as we
19 always indicate and we even told Judge Houser that we needed to
20 do more due diligence before we got to the mediation of the
21 next process, it's been determined by the Oversight Board that
22 there was an error or there's new information associated with
23 projected pension forecasts and projected PayGo payments that
24 were certified in the Commonwealth fiscal plan. Those errors
25 are currently being reviewed by the Oversight Board and it is

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1 believed that we will have more complete information on or
2 prior to December 7 of next month, your Honor. And at that
3 time the Oversight Board will make a disclosure as to what it
4 understands the magnitude of that pension forecast or
5 calculation error that it had.

6 At this point, your Honor, the Oversight Board does
7 not envision making any revised or certifying a revised fiscal
8 plan prior to the January 16 COFINA confirmation hearing and,
9 as I indicated, your Honor, this is solely a Commonwealth
10 issue; it is not a COFINA issue.

11 THE COURT: But January 16 is also a date for the 9019
12 motion on the Commonwealth side and the projections are at
13 issue in that connection as well and so do you anticipate a
14 supplemental filing in these matters that discloses and
15 explains the change and whatever impact the Board expects it to
16 have?

17 MR. ROSEN: Well, your Honor, actually we've received
18 only three objections to the 9019 motion. If the Court
19 recalls, the objection deadline was last Friday.

20 I know at least with respect to the Retiree Committee,
21 the Retiree Committee has tried to draw a linkage between the
22 9019 motion and the compromise and settlement and what the
23 Commonwealth fiscal plan provides. Obviously we believe, and I
24 believe a lot of other parties in this courtroom believe, that
25 there is no such linkage. Nevertheless, we will address each

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1 and every one of those issues with the Retiree Committee and
2 any of the other parties that did interpose an objection.

3 The Retiree Committee has also served upon the
4 Oversight Board a limited discovery request associated with
5 solely fiscal plans and nothing having to do with the
6 compromise and settlement itself. We will address those issues
7 with the Retiree Committee itself.

8 So there will be some information provided, your
9 Honor. But, to be clear, we believe that there is absolutely
10 no linkage between the Commonwealth fiscal plan and the
11 recoveries pursuant to the compromise and settlement and the
12 compromise and settlement itself.

13 THE COURT: Thank you.

14 MR. ROSEN: Your Honor, with that I'd like to reserve
15 the balance of my time.

16 THE COURT: I just have probably just one little
17 question for you. Let me make sure it's one.

18 So this is the one that I know I have for you. In the
19 current proposed order there's a provision that the debtor may
20 waive any defects or irregularities as to any particular
21 ballot, and that is linked up with a general statement in the
22 procedures that ballots can be rejected for various reasons.

23 May I assume that to the extent waivers are granted
24 they will be done in a manner that's consistent and reasonable
25 as to similarly situated ballots and that you'll include an

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1 attorney certification to that effect with the tabulation?

2 MR. ROSEN: We will, your Honor.

3 THE COURT: And if you could throw in a couple words
4 to that effect in the revised order in that paragraph, I would
5 be grateful.

6 MR. ROSEN: We will, your Honor.

7 THE COURT: Thank you.

8 MR. ROSEN: Again, if I could reserve the balance of
9 time?

10 THE COURT: Yes.

11 So I have Mr. Kirpalani down for three minutes for the
12 COFINA seniors.

13 MR. KIRPALANI: Thank you, your Honor.

14 Good morning. Susheel Kirpalani of Quinn Emanuel
15 Urquhart & Sullivan on behalf of the COFINA Senior Bondholders'
16 Coalition.

17 Your Honor, we filed an updated Rule 2019 statement
18 reflecting our group's current holdings. We currently have in
19 excess of \$5 billion of senior and subordinate bonds issued by
20 COFINA.

21 First, I'd like to express my heartfelt gratitude to
22 the governor of Puerto Rico, and to AAFAF, and to the
23 leadership of the Legislative Assembly, to the Oversight Board,
24 to the Court-appointed agent, the COFINA agent, Ms. Bettina
25 Whyte, who is here in the courtroom today. And we all owe her

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1 a debt of gratitude for a very difficult job. And to the all
2 star mediation team that your Honor appointed.

3 I think all of these parties, including the various
4 private parties that participated in the mediation process,
5 worked hard to make order out of absolute chaos. And while the
6 litigation machine previously unknown to man or woman may not
7 be completely shutting down, we are pleased to contribute, as
8 we said we would, in the a meaningful way to Puerto Rico's
9 financial future.

10 COFINA itself, your Honor, is perhaps the largest
11 single municipal bankruptcy in the history of the United
12 States. And to have before us a paved path towards emergence
13 and the first Plan of Adjustment under PROMESA is a major step
14 that shouldn't be minimized. It is also a major step towards
15 rebuilding confidence in the capital markets for Puerto Rico
16 which is critical under the legislation in order to liberate
17 Puerto Rico from the Oversight Board itself.

18 We know, your Honor, and have read the statements of
19 bondholders asking why they are not getting paid more money
20 from COFINA. Trust me, I have a lot of clients who are not shy
21 and they feel the same way. Folks on the Commonwealth side,
22 for their part, are feeling that not enough was given by
23 COFINA. And in my experience, your Honor, that is probably the
24 hallmark of a good settlement. It's easy to forget how high
25 the stakes were and how difficult this was in terms of it being

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1 an all-or-nothing litigation that many of us worked on for
2 three-and-a-half years. But the risks to both sides are
3 abundantly disclosed in the disclosure statement and we think
4 it's time for the vote.

5 The number of people that had to come together to make
6 this happen is staggering. And I look forward, your Honor, to
7 seeing you on January 16 in San Juan and hopefully with
8 overwhelming support for the plan.

9 We'd like to wish the Court and your staff here in
10 New York and in San Juan a happy and healthy holiday season.

11 THE COURT: Thank you very much.

12 Next on my list is counsel for Bank of New York
13 Mellon. Mr. Gwynne.

14 MR. GWYNNE: Good morning, your Honor. For the
15 record, Kurt Gwynne from Reed Smith along with my partner, Eric
16 Schaffer, on behalf of the Bank of New York Mellon as trustee
17 for the COFINA bonds.

18 THE COURT: Good morning.

19 MR. GWYNNE: The beneficial holders, your Honor, of
20 the COFINA bonds are a diverse group. Certainly there are a
21 number of well financed institutional investors but there are
22 thousands of retail COFINA holders that include single mothers,
23 retirees and other hard-working folks that rely upon the income
24 from the COFINA bonds to pay their living expenses.

25 Many of those retail holders could not afford

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1 representation of counsel or to participate in the mediation.

2 Many of those retail holders either sent letters or
3 e-mails to your Honor expressing their concern for uneven
4 information.

5 Illiana Paz-Castellanos wrote to your Honor and
6 expressed her concern what it felt like to be losing her
7 hard-earned money while waiting everyday for the newspapers to
8 arrive because she didn't have a big enough claim to
9 economically be able to participate in the mediation.

10 Luis Abbott wrote a feeling of being in complete
11 darkness regarding the mediation and the settlement process.

12 Seema Balwada wrote to your Honor and specifically
13 questioned the 332-million-dollar payment to the mediation
14 participants.

15 There was one sentence in the 600-plus-page disclosure
16 statement originally relating to that two percent payment to
17 the consummation cost party. For that reason, the Bank of
18 New York Mellon objected to the disclosure statement.

19 On pages 90 and 91 of the redline disclosure
20 statement, the debtor has made a much more complete disclosure
21 and will add the information that Mr. Rosen indicated would be
22 added to the disclosure statement before serving it and
23 soliciting votes from the holders.

24 Based on those additional disclosures made by the
25 debtors, Bank of New York Mellon's objection is resolved.

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1 I do just want to make the record clear though, your
2 Honor, that there are a host of confirmation issues that Bank
3 of New York Mellon has and will raise. Today is just about
4 disclosure, not about confirmation of the plan.

5 That's all I have unless your Honor has any questions.

6 THE COURT: Thank you, Mr. Gwynne.

7 MR. GWYNNE: Thank you, your Honor.

8 THE COURT: And now for Lehman, Mr. Benzija.

9 MR. BENZIJA: Good morning, your Honor.

10 Walter Benzija of Halperin Battaglia Benzija on behalf
11 of Lehman Brothers Holdings, Inc. as plan administrator for
12 Lehman Brothers Special Financing. In the courtroom with me is
13 my colleague, Debra Cohen.

14 THE COURT: Good morning.

15 MR. BENZIJA: I'd like to confirm Mr. Rosen's
16 representations that following the filing of the omnibus reply
17 the bulk of the -- in fact, all of the objections with respect
18 to the disclosure statement that Lehman Brothers has filed has
19 been resolved. We do have new language which adequately
20 describes the context of the debt service deposit agreement,
21 and we're also heartened to see that the third party releases
22 have been eliminated from the plan which was a concern of
23 Lehman's going in.

24 We do not, however, obviously for purposes of the
25 disclosure statement, condone or support the characterization

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1 of Lehman's claim within the case and reserve our rights,
2 obviously, to object to its classification and its potential
3 treatment under the plan. So that is not a disclosure
4 statement issue for today, your Honor, but obviously is
5 something that we've reserved the right to raise down the line.

6 As is often the case, even in cases as large as this,
7 the disclosure statement hearing is an opportunity to
8 potentially vet and to flag issues that may arise at
9 confirmation. And we're grateful that a dialogue has begun
10 with the debtors with respect to our particular treatment and
11 hope to continue that in a beneficial manner.

12 Thank you, your Honor.

13 THE COURT: Thank you.

14 I understand that there at least was at one point a
15 representative of the Cooperativa in San Juan. Does anyone
16 wish to be heard from San Juan?

17 I think he's coming to the podium. Thank you.

18 You may proceed.

19 OK. We are not getting sound from San Juan now. I
20 think that you can hear me. Would you wave your hand if you
21 can hear me?

22 So you're waving your hand. You can hear me. That's
23 very good.

24 I was told that you might simply be withdrawing the
25 objection. If that's true, would you give us a thumbs up on

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1 the screen?

2 All right. Thank you. The Cooperativa objection is
3 withdrawn. Thank you so much, sir.

4 We have trouble with sound everywhere this morning.

5 But now I understand that Mr. Dvores wishes to speak.

6 Good morning, sir.

7 MR. DVORES: Good morning, your Honor. My name is
8 Lawrence Dvores. I'm here pro se for myself. However, I am
9 happy to hear that there is another objector, Mr. Stephen
10 Mangiaracina -- I'm sorry.

11 THE COURT: Mangiaracina, I think.

12 MR. DVORES: Forgive me. I have read his letters.
13 They are very good. I don't necessarily go along with the idea
14 of charging criminality but certainly there's been an
15 abdication of duty on the part of the trustee to represent the
16 bondholders of COFINA. Bank of New York Mellon has not done a
17 good job there, not done any job in my opinion.

18 In the same light, and going to the main question of
19 the adequacy of the notice of this disclosure, I think
20 Mr. Rosen has already indicated to the Court that the original
21 notice that was sent out to all of the holders of bonds such as
22 myself that was done on October 19 was inadequate. The three
23 or four pages that that notice was didn't say anything about
24 the substance of the agreement, that plan of confirmation, Plan
25 of Adjustment, whatever you want to call it, didn't say

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1 anything about that coming along. And what the reference was
2 to this document online, of over six hundred pages of legal
3 jargon, which most folks, certainly myself, wouldn't be able to
4 interpret and understand. So, what Mr. Rosen has done, very
5 kindly, is admit to the Court this morning that that was not a
6 sufficient document for disclosure purposes and that they have
7 amended and filed another disclosure document, this one with an
8 executive summary of some ten pages that would highlight the
9 main portions of the settlement, so-called, and refer to other
10 items within the main document if the participants, the
11 bondholders wanted to go further to understanding what's going
12 on.

13 I see that as an absolute admission that this first
14 document which I received -- and I haven't received the second
15 one because it was just filed, and I don't have access to the
16 same kind of electronic document service that he has. The
17 document, such as I understand it, it's referencing an
18 agreement that is being proposed for a confirmation hearing.
19 And this agreement is going to give a split of the sales tax
20 collection which is subject to a lien of both the junior lien
21 bondholders and the senior lien bondholders. It's going to
22 give this a split which is very satisfactory to the senior
23 bondholders because it's 93 percent recovery plus another
24 2 percent for their effort at mediating and bringing about this
25 Plan of Adjustment, while it only gives 56.4 percent recovery

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1 to the junior lien bondholders. That is, on its face, terribly
2 unfair.

3 Adding insult to injury is the fact that I've also
4 learned that the agreement, this Plan of Adjustment, is going
5 to allow the senior bondholders the past interest which has
6 been held by the Order of the Court, by the trustee, not paid
7 out as of August 1, 2017. That money has been held in escrow.
8 It's almost two years worth of interest payments now. That
9 money is going to go to the seniors. What happens to the
10 juniors? They don't get anything of that money that's been
11 held in escrow. Why?

12 The problem here, however, hasn't started with this
13 Plan of Adjustment. The start -- the problem started with a
14 bankruptcy filing itself. It doesn't make sense. COFINA was
15 solvent. COFINA was paying its debts. It owed money that it
16 collected from the sales taxes. It owed that money first and
17 foremost, priority, to the bondholders, seniors and juniors.
18 They both had a statutory lien claim on that money.

19 That was recognized in the law that created COFINA.
20 It was recognized in the prospectuses that was given to
21 bondholders when they bought the bonds. It's also been
22 recognized in the bond issuances and prospectuses that were
23 given to general obligation bondholders after COFINA was
24 enacted so that people who are buying general obligation bonds
25 were on notice of the COFINA claims -- of COFINA bondholder

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1 claims of priority.

2 Now, I understand that the bankruptcy was contested by
3 a motion for summary judgment that was brought by different
4 parties, including insurance companies for the uninsured
5 bonds -- for the insured bonds, and by the unsecured senior --
6 uninsured senior lien bondholders. So they brought that motion
7 for summary judgment to get a ruling from the Court upholding
8 the priority of the lien. And somehow or other there was no
9 ruling made because the parties that were involved in that
10 motion decided we'll try and settle this all. So they went
11 ahead with the blessing of the Court, which gave a stay. And
12 they've been going onward with this business of mediation among
13 themselves to figure out who is going to get what.

14 Well their mediation efforts did not include the
15 junior sales tax bondholders. So the mediation is not -- it's
16 not legitimate. It's self-dealing. And they dealt with
17 themselves pretty good because they've come up with a plan, as
18 I said, that's 93 percent recovery for the senior bondholders,
19 plus the back interest, plus another 2 percent, just for good
20 measure, for mediating. And they left the junior bondholders
21 out in the cold.

22 Now the junior bondholders are very upset. I can't
23 speak for anybody but myself. But I've read letters that were
24 addressed to the Court by I'll call him Mr. M for short. He's
25 from South Carolina. He's done a magnificent job of outlining

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1 for the Court all the things that were wrong with the
2 bankruptcy filing, how that was invalid, that was illegal, and
3 why it needs to be investigated. He's done a magnificent job
4 in outlining the provisions of the settlement and so has a
5 woman named Seema Balwada who is a certified financial analyst.
6 So they've done that. It's on the record of the Court.

7 It's for the Court now to decide that this Plan of
8 Adjustment that's been worked out by the senior bondholders and
9 the Puerto Rico general obligation people and who knows who
10 else was a party there to these secret negotiations is a very
11 flawed way of handling this case. It has been the -- an
12 instrument through which an injustice is being made and which
13 it has to be corrected by the Court. It needs a ruling on the
14 motion that was made that's been held up for these many months
15 as to the status of the lien of the bondholder on COFINA, both
16 the juniors and the seniors.

17 There's only one difference between the juniors and
18 the seniors under that lien. If COFINA had not collected
19 enough money from the sales taxes to pay both the juniors and
20 the seniors, then the priority would go to the seniors. They
21 would get the money. If there was something leftover, then it
22 goes to the juniors. That's the only difference.

23 This case and the way it's being handled is a very
24 strange case because I heard Mr. Rosen talk about the fact that
25 there's only -- well there's been one objection myself that's

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1 here in court. Others may have filed with the Court. And
2 there's been 10 million bonds have been spoken for that more or
3 less approve the plan of confirmation, the Plan of Adjustment,
4 and that they represent a majority of I think 17 million COFINA
5 bonds that are outstanding.

6 Well, that other 7 million that have not agreed are
7 the little guys, the little people, the little women. They're
8 the ones that are out in the cold. They haven't spoken up.
9 You haven't heard from them except for a few. Because of the
10 complexity of the case, it's so difficult to understand what
11 they're doing, what you're doing, the fact that it requires
12 tons of money to get a lawyer to represent you, which people
13 don't have, and even today the difficulty of coming to this
14 disclosure hearing, the hearing on the disclosure settlement.
15 I came because I live in New Jersey. So it's very possible for
16 me to get on a bus and get on the subway and get here. But the
17 others are scattered all around the country, and they're not
18 coming to this hearing, and neither are they going to go down
19 to Puerto Rico for the confirmation hearing.

20 So what is needed today is a recognition that this
21 process was flawed from the beginning. It should never have
22 gone into a bankruptcy judgment because COFINA had the money,
23 was paying it. It was only done at the direction of the
24 federal Oversight Board which was neglecting its own duties to
25 straighten out Puerto Rico's bad management; instead,

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1 concentrating on how it could take a little group of
2 bondholders -- not little, many, but weak, divided, and always
3 be unrepresented and take advantage of them. So, it's quite a
4 difficult thing to contemplate that this kind of injustice
5 could be carried out.

6 I'm reminded -- I wasn't a bondholder but I read about
7 it -- of -- it was around 1973 and New York City was on its
8 knees in terms of its finances and it actually signaled that it
9 was going to have to default on the payment of one-year notes.
10 And the bondholders in that case took the case up to -- they
11 were general obligation bonds, notes. They took it up to the
12 Court of Appeals of New York State and New York State said:
13 No, you can't do that, the lien -- the obligation to that
14 bondholders takes precedent. So for the other needs that you
15 have, legitimate needs, but you'll have to pay them. And
16 you'll have to pay interest penalty on top of what you owe
17 them.

18 Well, long story short. New York City was on its
19 knees. If you remember the headline in the Daily News,
20 President Ford. The City. Drop Dead. No Federal Aid for You
21 Guys.

22 Contrast that with the present. New York City is now
23 AA rated, one of the strongest municipal credits that's around.

24 Puerto Rico, when the COFINA bonds were first sold,
25 Puerto Rico was like a BBB minus. It was at the bottom in

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1 terms of its rating. Just above Jello. The only way they
2 could get additional monies from the investment world was to
3 bring them out, COFINA, with its security pledge to the
4 bondholders.

5 THE COURT: Mr. Dvores, I would just like to ask you
6 to wrap up.

7 MR. DVORES: I'll wrap up right now.

8 So I just want to say bringing up the New York City
9 example, New York City was a mess. It's now greatly improved,
10 OK. It's not perfect, but there's a world of difference.

11 I'm saying to you and to all the people that have been
12 crying on their shoulders about Puerto Rico, Puerto Rico has
13 the opportunity to become the diamond in the Caribbean if it
14 has good management. It's part of the USA. None of the other
15 countries have that. They have everything going for them.
16 They've gotten billions of dollars of federal aid. They don't
17 need to take the little people who have invested in good faith
18 with Puerto Rico and bought their bonds and really take
19 advantage of them in the way that this enterprise has been
20 taking advantage of them to now.

21 Thank you.

22 THE COURT: Thank you, Mr. Dvores. And you thank you
23 for coming to court today.

24 Mr. Rosen.

25 MR. ROSEN: Thank you, your Honor.

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1 And I thank you, Mr. Dvores.

2 Your Honor, I don't think I admitted that the notice
3 of the disclosure statement hearing was inadequate. In fact,
4 that was not at all what I said.

5 And the reason with respect to the FAQ, your Honor,
6 was not because we thought that the disclosure statement itself
7 was inadequate. We wanted to try and make it easier for
8 everybody.

9 I understand Mr. Dvores's concerns.

10 I would like to just note for the record, your Honor,
11 that in the mediation process that Judges Houser, Ambro, and
12 Atlas conducted, there were not just members of the senior
13 coalition involved. Rather, there were bondholders who were
14 also junior bondholders and, most importantly, the Bonistas del
15 Patio, which is the group that has been organized to represent
16 the interests of retail on-island bondholders. They were an
17 active participant in all of the mediation sessions. And, in
18 fact, they are a party, as also the junior bondholders are a
19 party, to the Amended and Restated Plan Support Agreement.

20 So this is not something that was put together just by
21 senior holders and certainly not to take advantage of any
22 junior holders. Rather, this was a compromise and settlement
23 on the foundational point between the two agents and the
24 agreement in principle and then furthered by the Oversight
25 Board itself when it conducted negotiations with the mediation

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1 team, with the respective holders of senior, junior, and the
2 Bonistas itself.

3 Your Honor, with that, I would ask, because it's been
4 requested of me, if we could take a very short recess just to
5 talk about one or two more issues and then come back very
6 quickly to the Court.

7 THE COURT: Is ten minutes sufficient?

8 MR. ROSEN: Plenty, your Honor. Thank you.

9 THE COURT: All right. We will reconvene in ten
10 minutes.

11 MR. DESPINS: Your Honor, may we use your jury room in
12 the back?

13 THE COURT: Yes. You may use the jury room.

14 (Recess)

15 THE COURT: Please be seated.

16 MR. ROSEN: Thank you, your Honor. I appreciate the
17 opportunity.

18 There was an issue that was correctly raised and I
19 want to correct something that I said and that we need to be
20 sure is clear not only on the record but in the plan -- in the
21 disclosure statement.

22 Your Honor, when we were talking about the releases
23 and the Commonwealth being included in certain release
24 provisions, one thing we want to make absolutely clear is that
25 the Commonwealth will be receiving a release from all COFINA

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1 holders in consideration for the compromise and settlement so
2 that there can be no dispute that there is a COFINA holder
3 going to raise a claim against the Commonwealth itself based
4 upon the COFINA relationship, or the bringing of the adversary
5 proceeding, or anything, because we cannot have those other
6 claims going back towards the Commonwealth.

7 So we wanted to be clear that that will be included in
8 the 9019 settlement because that's probably where it primarily
9 lies as a result of the compromise and settlement of all
10 claims. But we also want to make clear that we will include a
11 provision like that in the disclosure statement and in the
12 confirmation order itself, that the Commonwealth will get the
13 release from the COFINA holders.

14 So with that, your Honor, I submit that's all I have.

15 THE COURT: Thank you. I have considered very
16 carefully all of these submissions in advance of today and I
17 have listened very carefully to everything that has been said
18 on the record here today.

19 Pending before the Court is the Puerto Rico Sales Tax
20 Financing Corporation's motion for an order:

21 One, approving disclosure statement;

22 Two, fixing voting record date;

23 Three, approving confirmation hearing notice;

24 Four, approving solicitation packages and distribution
25 procedures;

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1 Five, approving forms of ballots and election notices
2 and voting and election procedures;

3 Six, approving notice of nonvoting status;

4 Seven, fixing voting and election deadlines; and,

5 Eight, approving vote tabulation procedures that was
6 filed as docket entry no. 307 in case 17-3284 and I will refer
7 to it generally as "the motion."

8 The Court has considered carefully the motion, the
9 objections filed with respect to the motion, the letters and
10 petition directed to the Court regarding the plan and the
11 proposed Commonwealth COFINA settlement and the arguments made
12 today.

13 The pro se objections and many of the letters and the
14 petition object to the fact that a plan for COFINA is being
15 pursued at this time or to specific economic features of the
16 proposed plan. These objections, the focus of these objections
17 ranges from the division of SUT between COFINA and the
18 Commonwealth, to the different rates of return proposed for
19 junior and senior COFINA bonds, to the absence of proposed bond
20 maturity dates between 2043 and 2058 and cover other issues as
21 well. These are serious issues and they reflect the ways in
22 which the proposed plan paints a very painful picture for large
23 numbers of people, but the adequacy and the legality of the
24 plan are not before the Court today.

25 The objections by Bank of New York Mellon, the Lehman

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1 entity and the credit unions have been withdrawn. The
2 objections filed by Mr. Mangiaracina and Mr. Dvores have not
3 been withdrawn.

4 Today's question is simply whether the proposed
5 disclosure statement as amended provides information sufficient
6 to permit a hypothetical creditor or investor to make an
7 informed judgment about the proposed Plan of Adjustment.

8 The Court is satisfied that the disclosure statement
9 does that job of providing sufficient information.

10 The solicitation materials have been prepared in a
11 manner consistent with applicable law.

12 The proposed procedures are a reasonable and
13 appropriate means to provide an opportunity for stakeholders to
14 respond to the proposed plan as necessary and for bondholders
15 to cast an informed ballot with respect to the proposed Plan of
16 Adjustment.

17 Accordingly, the Court hereby overrules the remaining
18 objections to the form of the disclosure statement and grants
19 the disclosure statement approval motion, including the
20 proposed solicitation, election, voting, and tabulation
21 procedures. This approval is subject to the additional changes
22 and supplemental disclosures discussed on the record today.
23 This is not a ruling on any objections to the substance of the
24 proposed plan.

25 The approval and issuance of the disclosure statement

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1 begin the next phase of the process in which parties in
2 interest will be able to file additional opposition submissions
3 addressing the substance of the COFINA Plan of Adjustment
4 itself.

5 All objections to the substance of the COFINA Plan of
6 Adjustment and the Commonwealth COFINA Settlement will be
7 adjudicated at the hearing scheduled for January 16, 2019.

8 Today's hearing, therefore, concerned and my ruling
9 concerned only the written disclosure statement that summarizes
10 and supports the proposed Plan of Adjustment and the procedures
11 relating to soliciting the creditors' votes and the filing of
12 objections to the plan.

13 The Court will consider the economics and structure of
14 the proposed Plan of Adjustment as well as the legality of the
15 elements of the plan in connection with the hearing scheduled
16 for January 16, 2019 in San Juan.

17 The movant is directed to file a further revised
18 proposed order and exemplars of the objection cover sheet forms
19 on two days presentment and to submit a Word version of the
20 revised proposed form of approval order to my chambers as well
21 as redline showing changes against the most recently filed
22 proposed order.

23 I would like to thank all of the participants today
24 and the court staff here in New York and in Puerto Rico who
25 facilitated this hearing. I thank everyone for their patience

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1 with the technical difficulties which we continue to work on
2 and we hope won't arise in the future.

3 Our next scheduled hearing is December 19 for an
4 omnibus hearing in San Juan and I thank all who worked to bring
5 us to this stage.

6 MR. ROSEN: Your Honor, thank you very much for
7 everything. Have a happy holiday.

8 THE COURT: Thank you. Happy, safe, and healthy
9 holidays to everyone and safe travels to those who are
10 traveling. We are adjourned.

11 (Adjourned)

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1
2 UNITED STATES DISTRICT COURT)
3) ss.
4 OF PUERTO RICO)

5 REPORTER'S CERTIFICATE

6
7 I, Karen Gorlaski, do hereby certify that the above
8 and foregoing pages, consisting of the preceding 155 pages
9 constitutes a true and accurate transcript of our stenographic
10 notes and is a full, true, and complete transcript of the
11 proceedings to the best of our ability.

12 Dated this 26 day of November, 2018.

13 S/Karen Gorlaski _____

14 Karen Gorlaski, RMR, CRR

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